

University of New Mexico

Employee Health and Pharmacy Insurance Proposal

Presented to the Board of Regents
March 20, 2009

Division of Human Resources

Planning & RFP Process

Conducted campus-wide survey to get input on entire benefits package. Medical and Rx were top 2 benefits valued most.

Convened a committee with broad representation to develop RFP & evaluate proposals.

Advertised for proposals for health insurance & prescription drug coverage requesting bids under two financing options:

- Fully Insured
- Self Insured Administrative Services Contract with Stop Loss Insurance

Other plan design changes:

- Reduce co-pay for mail order prescriptions
- Zero co-pay diabetic supplies (one of UNM's highest cost drivers)
- ER co-pay to \$150

Recommendation

Based on Best and Final Offers from Bidders

- Lovelace and Presbyterian self insurance for FY10
- Express Scripts pharmacy carve out for FY10

Advantages

- Self insured bids from Lovelace and Presbyterian will reduce expenses allowing for increased reserve
- Easy transition
 - No change in health insurance carriers
 - One prescription drug carrier for both medical plans

Pharmacy Carve Out Analysis

Comparison of Pharmacy Discount Options

Dual Carrier Pharmacy Claims Costs \$7,845,856
(Lovelace and Presbyterian)

Sole Carrier Pharmacy Claims Costs \$ 7,117,337
(Express Scripts)

Sole Carrier Pharmacy Claims Savings \$ 728,519

Self Insured Product

Fiscal Year 0910 Proposed

Lovelace Plan ASO Fees	\$ 1,777,083
Presbyterian Plan ASO Fees	\$ 1,219,535
Express Scripts ASO Fees	\$ 490,000
Medical Claims Costs	\$34,482,882**
Pharmacy Claims Costs	\$ 6,627,337**
Stop Loss Insurance	<u>\$ 1,867,329</u>
Total Self Insured Cost	\$46,464,166
Current 0809 Insured Cost	<u>\$47,937,137</u>
Self Insurance Decreased Cost	(\$ 1,472,971)

** Actuarial costs estimates (error factor (+/-) 3%)

Fully Insured Product

Fiscal Year 0910 Proposed

Lovelace Health Plan \$29,277,643

Presbyterian Health Plan \$22,075,990

Total Fully Insured Cost \$51,353,633

Current 0809 Insured Cost \$47,937,137

Additional Cost 0910 \$ 3,416,496

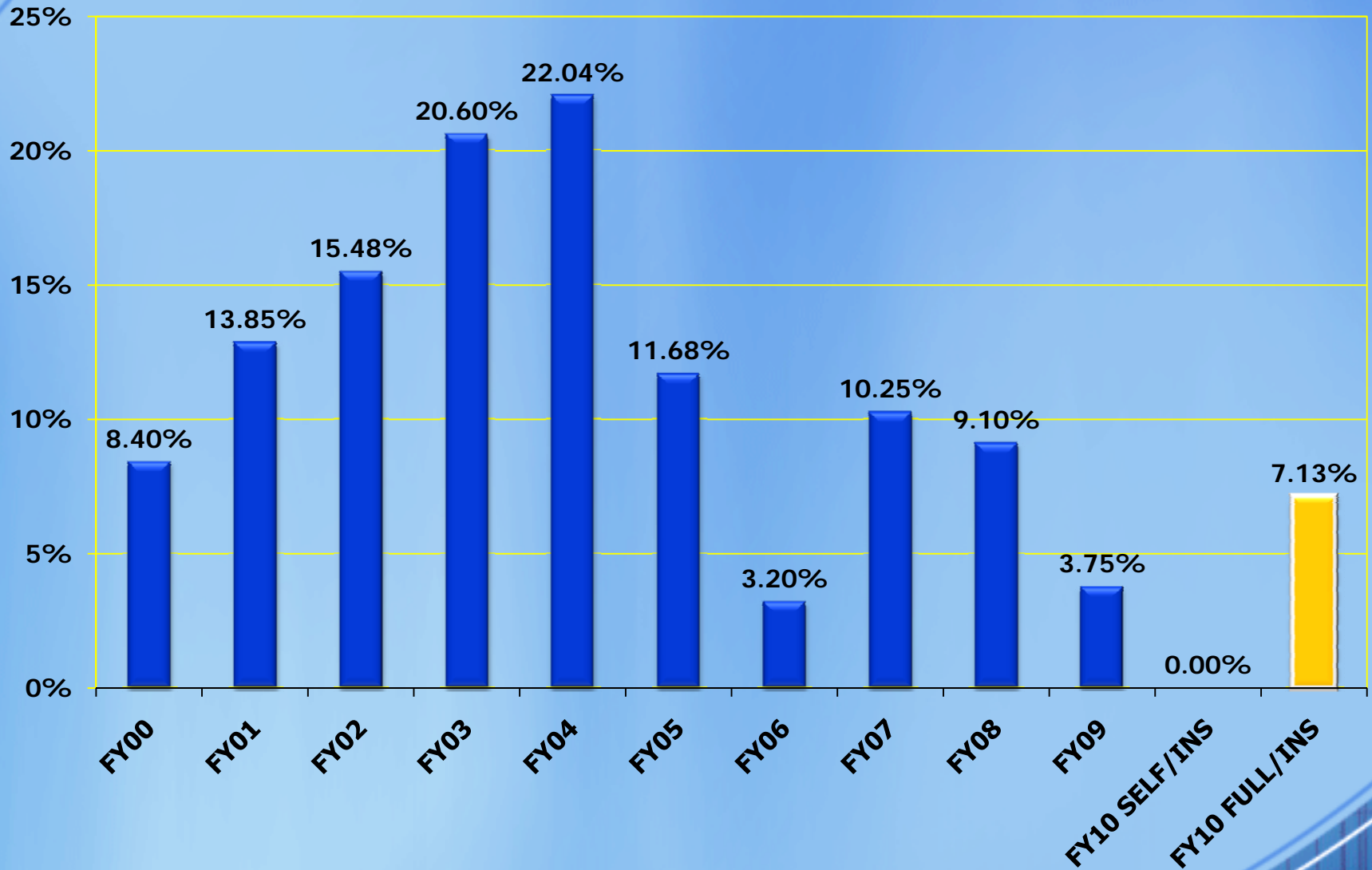
Increased Cost to UNM \$ 2,118,228

Increased Cost to Employees \$ 1,298,268

Fully Insured Product vs Self Insured Product

Total Fully Insured Cost 0910	\$ 51,353,633
Total Self Insured Cost 0910	\$ 46,464,166
Fully Insured Increased Cost	(\$ 3,416,496)
Self Insured Decreased Cost	<u>(\$ 1,472,971)</u>
Self Insured Savings vs Fully Insured	(\$ 4,889,467)

Historical Increase in Health Premiums



Insurance Reserve Analysis

Beginning Balance July 1, 2009	\$ 7,165,000
<u>Additions</u>	
Medical/Pharmacy Claims Lag	\$ 3,185,000
Self Insured Cost Savings	\$ 1,472,971
Interest Earnings	\$ 153,275
Reserve Balance June 30, 2010	\$11,976,246

Gallagher Benefits Actuarial Reserve Recommendation

\$10,750,000 85% Claims Competence

\$12,650,000 95% Claims Competence

Claims competence is reliability of adequate reserve.